

Message Text

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ACTION L-03

INFO OCT-01 ARA-06 EUR-12 ISO-00 SS-15 NSC-05 SSO-00

NSCE-00 SP-02 EB-07 TRSE-00 OMB-01 CIAE-00 INR-07

NSAE-00 INRE-00 /059 W

----- 087460

O 181750Z DEC 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 8088

INFO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 10449

FOR: ARA - MR. ROGERS; S/P - MR. EINAUDI; L/ATA - MR. GANTZ:

EB - MR. SMITH; TREASURY - MR. MARESCA

PARIS: FOR DEPUTY ASSISTANT SECRETARY ALBERT FISHLOW

E.O. 11652: GDS

TAGS: EINV, EIND, EMIN, PFOR, PE

SUBJECT: MARCONA - DELIVERY OF TAX CLAIMS MEMO/TOUR D' HORIZON
WITH BROUSSET

REFS: A) STATE 296873; B) STATE 295331

1. EMBOFF DELIVERED MEMO ON TAX CLAIMS AND GANTZ' LETTER IN
ENGLISH AND SPANISH TO BROUSSET AFTERNOON OF DECEMBER 17,
TOGETHER WITH ORIGINAL COPIES FOR DE LA PUENTE. BROUSSET SAID HE WOUL
D

DELIVER AND MAKE APPROPRIATE USE OF DE LA PUENTE'S COPIES, BUT
THAT IT WAS PREFERABLE NOT TO DELIVER THEM TO DE LA PUENTE'S OFFICE
DURING HIS ABSENCE BECAUSE OF SENSITIVE NATURE OF THE MEMO.
(DE LA PUENTE RETURNS TO LIMA ON DECEMBER 29.)

2. COMMISSION ON SEPARATION OF ASSETS - BROUSSET
EXPLAINED IN FURTHER DETAIL THE PRESENT STATUS OF WORK
BY THIS COMMISSION, ELUCIDATING POINTS HE HAD MADE
DURING FRIDAY AFTERNOON'S COMMISSION SESSION WITH U.S.
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TEAM. HE SAID MAJOR STUMBLING BLOCK IN COMMISSION'S

WORK TO DATE HAS BEEN DIFFICULTY IN SEPARATING FIXED STRUCTURES (BUILDINGS) FROM MACHINERY IN THE ACCOUNTS, SINCE MANY ITEMS ARE MIXED TOGETHER. HE SAID THAT THE COMMISSION WOULD NEED THE ASSISTANCE OF CIVIL ENGINEERS TO SORT OUT THE ACCOUNTS. HE EMPHASIZED THAT THIS COMMISSION IS NOT REPEAT NOT WORKING ON PLACING A VALUE ON THE ASSETS, BUT MERELY TO SEPARATE THE ITEMS WHICH WERE RESCINDED TO THE STATE BY THE D.L. AND THOSE WHICH WERE EXPROPRIATED AND FOR WHICH COMPENSATION WILL BE PAID. THINKING OUT LOUD, HE EXPRESSED HOPE THAT THE COMMISSION WOULD COME UP WITH A MODUS OPERANDI WHICH WOULD ESTABLISH A BENCHMARK PERCENTAGE FOR DIVIDING UP THE PROPERTIES INTO THE TWO CATEGORIES AND SPECIFICALLY MENTIONED A 25 PERCENT FIGURE FOR RESCINDED ITEMS AS A POSSIBILITY (I.E., 75 PERCENT MIGHT BE COMPENSATED). HE ALSO SPECIFICALLY NOTED THAT FISHLOW'S DISCUSSION OF THIS ISSUE LAST FRIDAY HAD CLARIFIED HIS THINKING IN THIS REGARD AND HAD BEEN "VERY HELPFUL."

3. DEBT COMMISSION - BROUSSET READ TAX MEMO LINE-BY-LINE AND COMMENTED SOBERLY THAT THE TWO KEY ISSUES ARE THE TAX ON FREIGHT AND THE DISALLOWANCE OF THE 4 PERCENT DEDUCTION AND THAT THEY ARE THE MOST SERIOUS IN TERMS OF POTENTIAL IMPACT ON THE FINAL BOTTOM-LINE FIGURE. HE SAID THAT HE PLANS TO DISCUSS ALL THE TAX ISSUES WITH THE PRIME MINISTER AND FINANCE MINISTER BARUA IN THE VERY NEAR FUTURE, USING FISHLOW'S MEMO WITHOUT ATTRIBUTION, SO THAT THE RELEVANT OFFICIALS IN THE TAX DEPARTMENT OF THE MINISTRY OF FINANCE, AS WELL AS OFFICIALS OF HIERROPERU, MINPECO, CPV CAN COORDINATE THEIR INPUT INTO THE FINAL DECISIONS OF THE DEBT COMMISSION. TURNING TO TAX ON FREIGHT, HE SAID POTENTIAL FIGURES WHICH DEBT COMMISSION IS CONSIDERING ARE IN THE RANGE OF \$6 MILLION FOR THE FIVE-YEAR PERIOD 1970-75. HE SAID THAT FISHLOW'S PRESENTATION ON THIS POINT WAS QUITE PERSUASIVE AND THAT THE TAX DEPARTMENT WOULD HAVE TO CONSIDER THE CASE ON ITS MERITS. (HE IMPLIED THAT THE U.S. TEAM HAD MADE SOME HEADWAY ON THIS ISSUE AND THAT A VISIT OF OUR EXPERTS COULD BE HELPFUL IN THIS REGARD.) REGARDING THE 4 PERCENT DEDUCTION ISSUE, HE SAID THE DEBT COMMISSION

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BELIEVES THIS ITEM COULD AMOUNT TO AS HIGH A FIGURE AS \$20 MILLION FOR THE FIVE-YEAR PERIOD. HE EMPHASIZED THAT IT IS ESSENTIAL TO REDUCE THIS "BIG ITEM" BY AS MUCH AS THE LAW WOULD ALLOW, STATING FURTHER THAT IT IS ESSENTIAL THAT THE TAX DEPARTMENT CONCEDE THAT THERE IS A LEGITIMATE COST INVOLVED AND NOT TO WORRY ABOUT TO WHOM IT WAS PAID.

4. OTHER ITEMS ON TAX MEMO - BROUSSET SAID HE COULD

NOT COMMENT COGENTLY ON THE DEMURRAGE ISSUE, THE LEGAL RAMIFICATIONS OF WHICH HE HAS NOT YET HAD TIME TO STUDY. ON PURCHASING COMMISSIONS, HE SAID THAT HE AGREES PERSONALLY THAT THE FACT THAT THE PAYMENTS INVOLVE RELATED COMPANIES SHOULD NOT BE GERMANE, AND THAT HE WAS GOING TO EXAMINE THE RELATIONSHIP BETWEEN CENTROMIN AND THE CERRO PURCHASING AGENCY TO SEE IF THAT EXAMPLE WOULD PROVE HELPFUL IN HIS DISCUSSIONS WITH THE TAX DEPARTMENT. (COMMENT: DEPARTMENT MIGHT WISH TO INVESTIGATE THIS ITEM WITH CERRO HEADQUARTERS IN NEW YORK.) FINALLY, HE SAID THAT THE DISALLOWANCE OF BONUSES IS A FAIRLY MINOR ITEM.

5. TIMING OF MEETINGS - BROUSSET READ GANTZ' LETTER CAREFULLY AND, AFTER SOME DISCUSSION, SAID THAT HE NOW CONCLUDES THAT IT WILL ALMOST CERTAINLY NOT REPEAT NOT BE POSSIBLE FOR THE PERUVIANS TO HAVE COORDINATED THEIR POSITION IN TIME TO HOLD A MEANINGFUL MEETING WITH OUR EXPERTS DURING THE WEEK OF JANUARY 5-9. HE SAID THAT GOP VIRTUALLY CLOSES DOWN FOR CHRISTMAS AND NEW YEAR'S HOLIDAYS AND THAT HE WOULD PREFER TO AVOID HOLDING A MEETING THAT WOULD ONLY TREAT WITH GENERALITIES, RATHER THAN DISCUSSING SPECIFIC CASES. HE THEREFORE THOUGHT IT WOULD BE PREFERABLE TO CONSIDER SENDING THE U.S. EXPERTS TO LIMA DURING THE WEEK OF JANUARY 12-16, WITH NEXT MEETING BETWEEN BOTH DELEGATIONS ONE OR TWO WEEKS LATER. HE NOTED THAT HE WOULD BE WORKING VERY HARD OVER THE HOLIDAYS WITH THE MINISTERS INVOLVED TO GALVANIZE VARIOUS ELEMENTS OF GOP, BUT THAT REALISTICALLY HE JUST DID NOT THINK THAT DE LA PUENTE'S ORIGINAL SCHEDULE WOULD PROVIDE SUFFICIENT TIME. HE EMPHASIZED, HOWEVER, THAT THESE VIEWS WERE PERSONAL AND THAT HE WOULD PROVIDE US WITH A DEFINITIVE DECISION ON TIMING
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OF VISITS AS SOON AS POSSIBLE.

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C O N F I D E N T I A L SECTION 2 OF 2 LIMA 10449

6. OTHER ISSUES - MARCONA'S APPEAL TO COURT AND PRICE WATERHOUSE'S AUDIT - BROUSSET REPEATED HIS EARLIER POSITION THAT IT IS IMPORTANT THAT MARCONA CONTEST TAX CLAIMS IN COURT (LIMA 9453 AND 9376). BROUSSET ALSO ASKED EMBOFF IF EMBASSY KNEW WHETHER FURTH LAST FRIDAY HAD CONTACTED LOCAL PRICE WATERHOUSE REPRESENTATIVE TO SEE ABOUT AGREEMENT FOR AN INDEPENDENT AUDIT BY LATTER COMPANY (LIMA 9871). EMBOFF REPLIED THAT EMBASSY DID NOT KNOW, BUT THAT IT WAS POSSIBLE THAT MARCONA MAY BE IN DIRECT CONTACT WITH PRICE WATERHOUSE'S HOME OFFICE. (COMMENT: IF APPROPRIATE, WE WOULD APPRECIATE RECEIVING ANY INFORMATION DEPARTMENT MAY HAVE ON THIS ISSUE SO THAT WE MAY INFORM BROUSSET.)

7 PRESS COMMENTARY - BROUSSET SAID HE WAS GENERALLY PLEASED WITH LOCAL PRESS TREATMENT OF INTERIM AGREEMENT. HE SAID THAT BOSSIO'S ARTICLE (LIMA 10363) WAS RATHER "WEAK" IN ITS ARGUMENTATION AND SAID THAT BOSSIO CLEARLY IS NOT WELL-INFORMED ABOUT DETAILS OF THE NEGOTIATIONS. (HE SEEMED QUITE RELIEVED THAT THIS WAS THE CASE.) HE ALSO NOTED THAT BOSSIO WAS ONE OF TWO MEMBERS OF THE DEBT COMMITTEE WHO RESIGNED IN PROTEST AGAINST THE INTERIM AGREEMENT. AS FOR THE MONCLOA ARTICLE (LIMA 10388), BROUSSET SAID THAT HE HAD INTERVENED DIRECTLY WITH RUIZ ELDREGE ON SATURDAY MORNING REQUESTING THAT THE LATTER CONFIDENTIAL

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CONVINCE MONCLOA TO SUPPORT THE INTERIM AGREEMENT. HE NOTED WITH SATISFACTION THAT HIS INTERCESSION HAD SUCCEEDED.

8. COMMENT: BROUSSET CLEARLY APPRECIATED RECEIVING FISHLOW'S MEMO AT THIS JUNCTURE AND IMPLIED THAT HE WILL MAKE GOOD USE OF IT, WITHOUT ATTRIBUTING IT TO US. WE AGREE WITH HIS TENTATIVE JUDGMENT THAT IT IS PREFERABLE TO POSTPONE VISITS UNTIL GOP HAS HAD TIME TO COORDINATE

ITS VIEWS FOR USEFUL DISCUSSIONS AND DO NOT VIEW THIS
RECOMMENDATION AS A STALLING TACTIC.
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